Mr. HAYES. That is a foundation.

Mr. CONTE. That is a foundation.

Mr. HAYES. Yes, that would be under——

Mr. CONTE. Is that basically correct?

Mr. RAY. Would you clarify the question?

Mr. CONTE. Do you remember last week——

Mr. RAY. Yes.

Mr. CONTE (continuing). When he gave me a hypothetical case where they set up a medical research foundation.

Mr. RAY. That would be a corporate form of foundation. This is a taxpaying trust.

Mr. CONTE. I see.

How about in a foundation? How would that operate?

Mr. RAY. The code provides I believe that a corporate foundation may be perpetual.

Mr. CONTE. Go ahead. I am sorry.

Mr. RAY. The foundation may exist in perpetuity. Now whether it remains in family control depends on——

Mr. CONTE. All right.

Now, if it is a medical research foundation, and the key individual in the foundation is the doctor, and he dies and leaves no one there to carry on his work, what happens to the foundation at that point? Do the funds remain in the foundation and the foundation continue?

Mr. RAY. The foundation can employ other physicians, research men, et cetera, to carry on the work of the foundation.

Mr. CONTE. They must employ other people, however.

Mr. RAY. I don't believe that they would be able to accomplish medical research purpose without employing medical people.

Mr. CONTE. With all the various benefits being received by the individual who sets up the trust and his family, how do you meet the Internal Revenue requirements that the trust be organized and operated exclusively for the designated charitable or educational purpose?

Mr. RAY. We don't set up charitable trusts. This is a taxpaying trust, Mr. Conte.

Mr. CONTE. How about the foundation?

Mr. RAY. There is a corporate foundation and a taxpaying trust, as explained in that diagram I handed out yesterday.

Mr. CONTE. So, if you are going to set up a foundation for me, and I am a doctor, you first set up a trust. Is that correct?

Mr. RAY. I could set up a foundation, a corporate foundation, first if you wished, or you could create a trust. The doctor doesn't operate within a trust. He can't.

Mr. CONTE. That is right.

Mr. RAY. There is some question as to whether a doctor can operate within a foundation. Most don't.

Mr. CONTE. You gave me some examples last week that they did.

Mr. RAY. They can; most as a matter of fact don't.

Mr. CONTE. Has ABC made clear to their members what the possible liabilities or problems are, if the foundations established by their members are determined not to be tax free?

Mr. HAYES. I think that, Mr. Conte, is quite well spelled out in the educational texts that we left with the committee last week.